

Economic & Revenue Outlook

Presentation for
Puget Sound Finance Officer's Association

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Tukwila, Washington



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- There is evidence that the economic recovery stumbled in May – we are now predicting near-term weakness, but a continuing recovery
- The downside risks to the forecast have increased
 - Employment remains weak
 - Consumers are pessimistic
 - High level of uncertainty
- Other risks are the same as before
 - Downside: weak construction; community banks; tight credit for small business
 - Upside: exports; aerospace; software; fears of European contagion receding

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At this stage in 1981-82, the state economy had made up all of the job losses

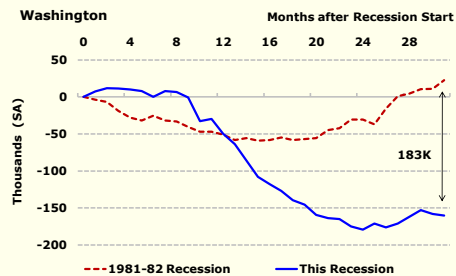
Peak to trough job losses

1981-82:
2.9% of labor force

This time:
5.1% of labor force

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GDP growth is now below trend

Percent growth, SAAR



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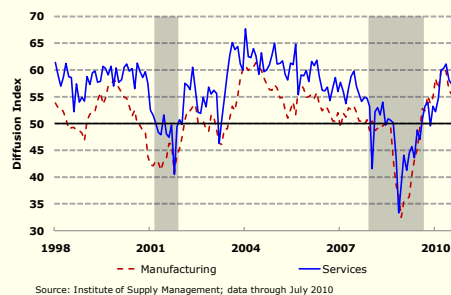


ISM indices for both services and manufacturing indicate slowing growth

An index greater than 50, implies growth

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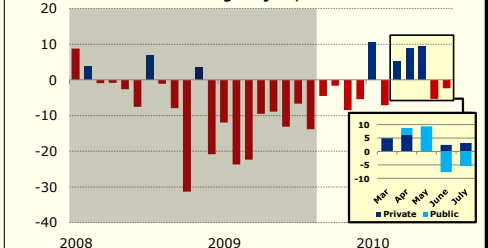
Private sector job growth in WA is following the same pattern as the U.S. – weak and hesitant

Only 100 private sector jobs were added in May, down from 6,300 in April

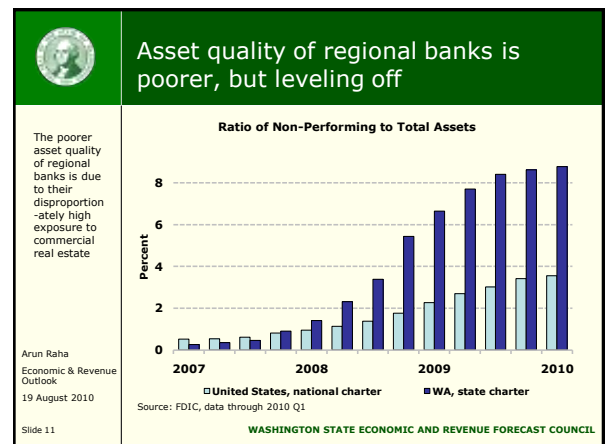
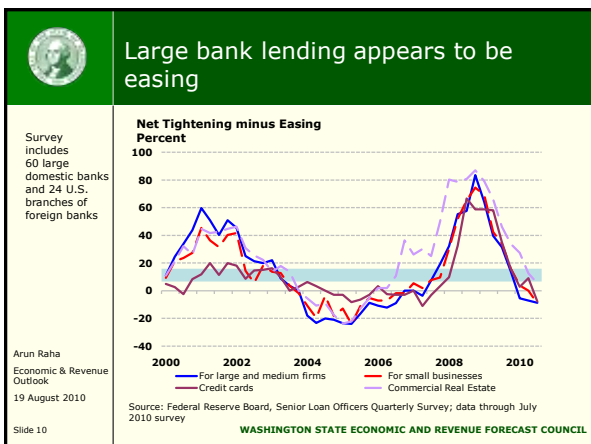
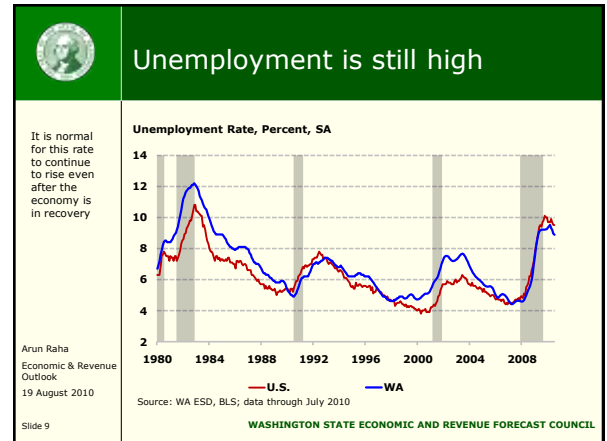
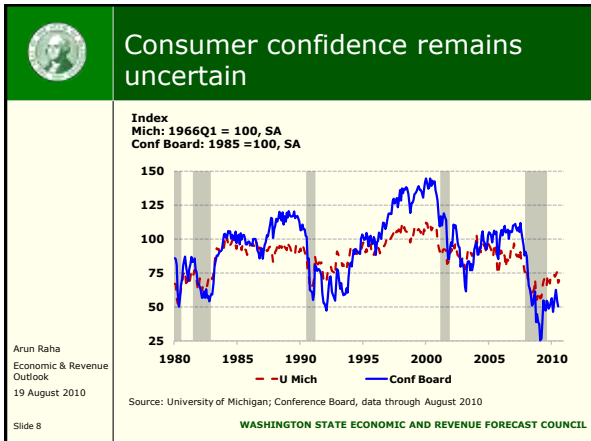
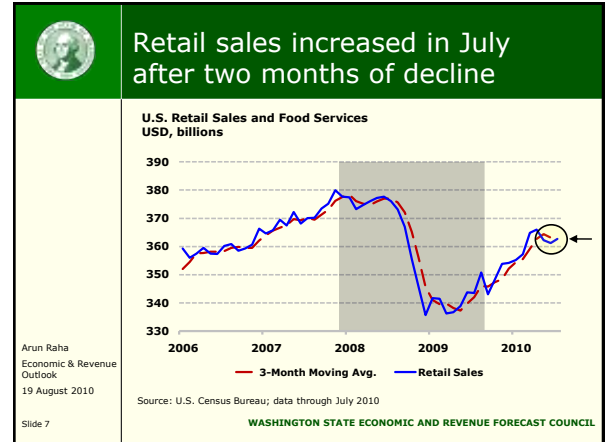
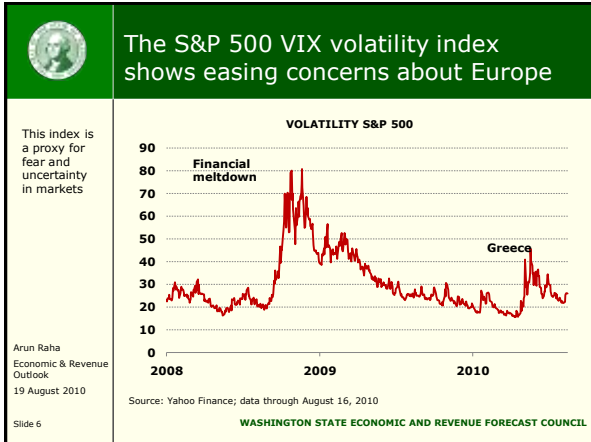
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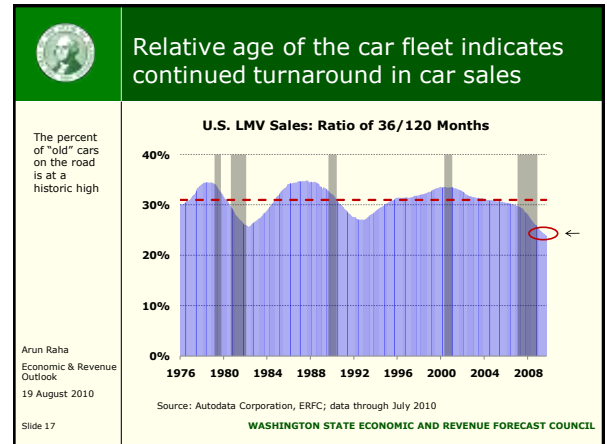
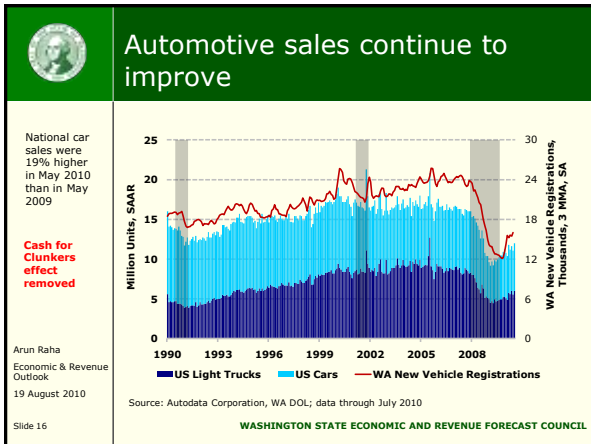
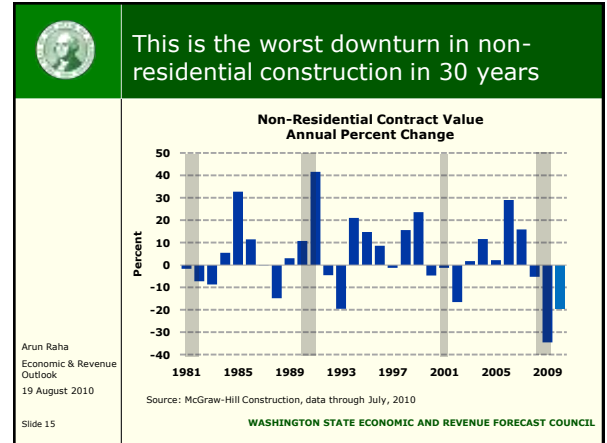
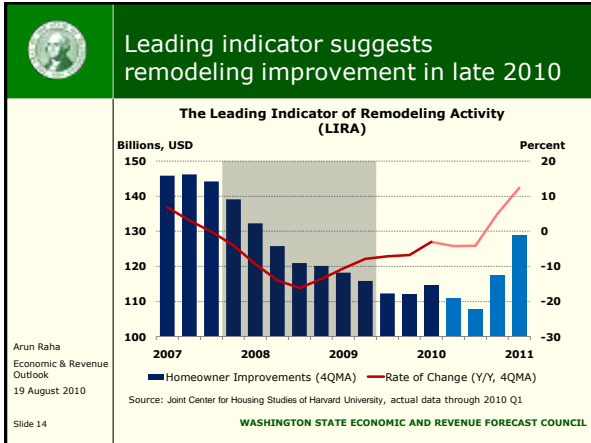
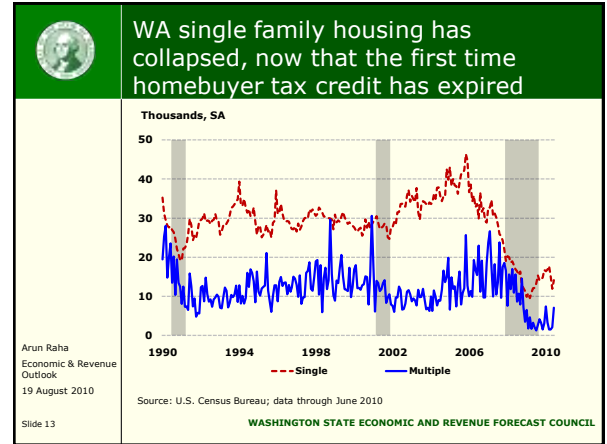
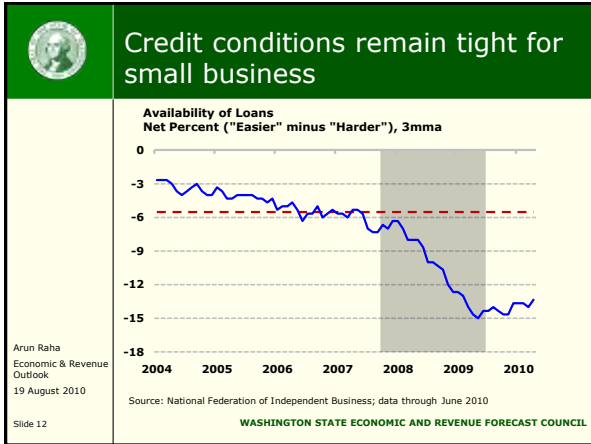
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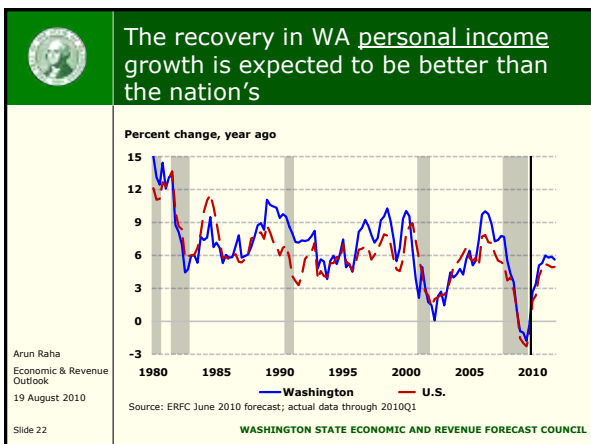
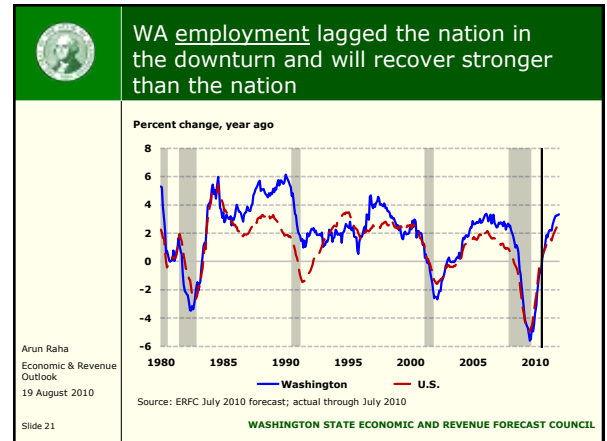
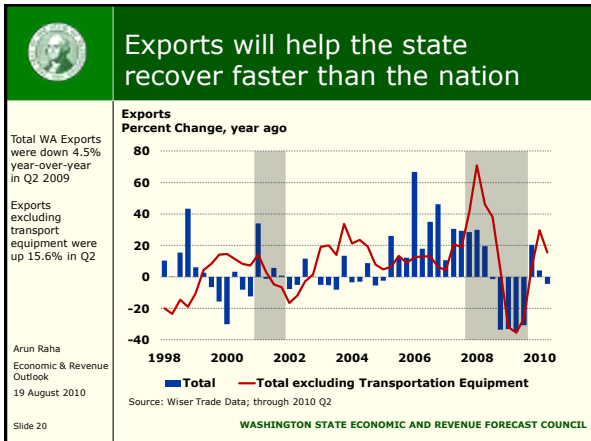
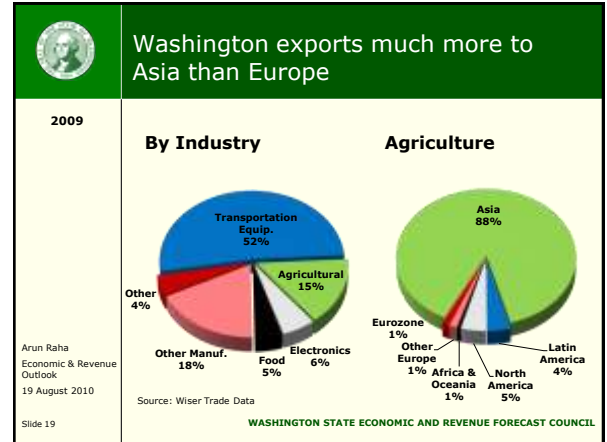
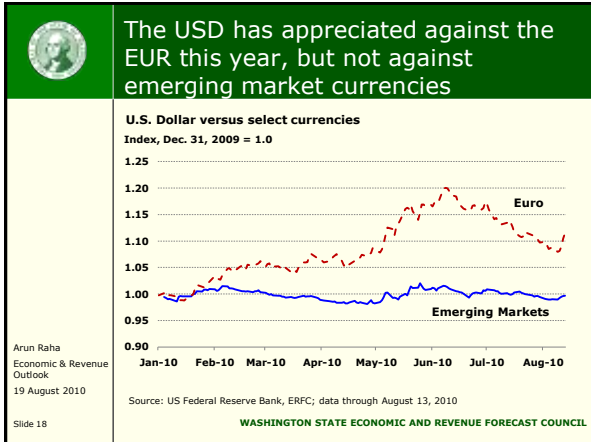
Net change in jobs, 000



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Forecast changes: General Fund State, 2009-2011 Biennium

February Forecast:
\$28,725 million

USD millions	Collection Experience	June '10 Forecast			Total Change*
		Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	(\$34)	\$749	(\$159)	\$27,802	\$556
All other agencies	(\$5)	\$54	(\$47)	\$1,481	\$1
Total GF-S	(\$39)	\$803	(\$207)	\$29,282	\$558

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* Detail may not add to total due to rounding

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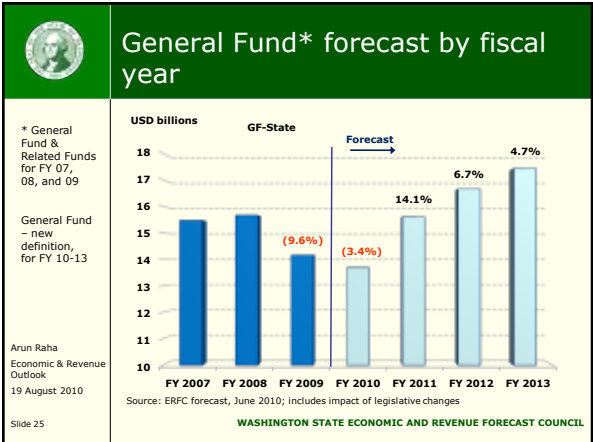
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Forecast changes: General Fund State, 2011-2013 Biennium					
USD millions	February 2010 Forecast	June '10 Forecast			
		Non-economic Change	Forecast Change	Forecast	Total Change*
Dept. of Revenue	\$30,658	\$1,556	\$219	\$32,433	\$1,774
All other agencies	\$1,566	\$105	(\$21)	\$1,650	\$84
Total GF-S	\$32,225	\$1,661	\$197	\$34,083	\$1,858

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Conclusion		
	Pluses	Minuses
	<ul style="list-style-type: none"> Recovery in progress Evidence of pent up demand Job growth has returned Car sales are improving Large banks able to extend credit 	<ul style="list-style-type: none"> Weak May, neutral June Weak consumer confidence Credit still tight for small business Slow recovery in construction Slow growth in jobs
<ul style="list-style-type: none"> The economic outlook has weakened since our June forecast 		

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Questions

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